



Thaba Chweu Local Municipality
(Registration number MP321)
Annual Financial statements
for the year ended 30 June 2019

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2019

General Information

Mayoral committee

Executive Mayor

MF. Nkadameng

Speaker

JM. Kock

Chief Whip

SA. Manzini

Executive committee

KJ. Malepe

ET. Mabuza

IT. Mokoena

Ward Councillors

KJ. Malepe

SM. Phetla

SE. Van Douwe

RG. Herbst

JJ. Mkhize

PM. Mpholoane

KA. Letsane

MB. Mokoena

SG. Shongwe

NJ. Van Vuuren (resigned July 2019)

KK. Segodi

NM. Masimola

Proportional Councillors

JH. Ligthelm

CJ. Sibiya

GP. Raphiri

PS. Makhubela

VD. Mabilu

PD. Marobela

EK. Mabanne

DR. Nkabinde

ML. Netshirembe

PA. Segoane

Grading of local authority

Low Capacity

Accounting Officer

SS. Matsi (Acting)

Chief Financial Officer

MR. Mnisi

Registered office

Lydenburg

Mpumalanga

South Africa

1120

Business address

Corner Viljoen & Sentraal Street

Lydenburg

Mpumalanga

1120

Postal address

P.O Box 61

Lydenburg

1120

Bankers

Standard Bank of South Africa

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

General Information

Auditors

Auditor General South Africa

Legal form of entity

MP321 - Local Municipality

The Municipality's operations are governed by the Municipal Finance Management Act 56 of 2003, Municipal Structures Act 117 of 1998, Municipal Systems Act 32 of 2000, and various other acts and regulations.

The following is included in the scope of operation

Thaba Chweu Local Municipality is a South African Category B Local Municipality as defined by the Municipal Structures Act.

The Municipality performs functions as set out in the Constitution. This means that the Municipality provides services such as electricity and refuse to the Community.

Jurisdiction

Lydenburg / Mashishing

Graskop, Pilgrim's Rest, Sabie, Matibidi, Moremela and Leroro Township

Thaba Chweu Local Municipality

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ACRONYMS USED

INEP	Integrated National Electrification Programme
AFS	Annual financial statements
VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
TR	Treasury Regulation
AP	Accounting Policy
PPE	Property, plant and equipment
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Local Government: Municipal Finance Management Act, Act no 56 of 2003
MIG	Municipal Infrastructure Grant (Previously CMIP)
UIF	Unemployment Insurance Fund
PAYE	Pay As You Earn
WSIG	Water Services Infrastructure Grant

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the MFMA and GRAP including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgement's and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certify that salaries, allowances and benefits of councillors as disclosed in note 32 of these financial statements are within the upper limits of Government envisaged in Section 219 of the Constitution read with Remuneration of Public Office Bearers Act, Act No 20 of 1998 and Section 124 of the Municipal Finance Management Act, Act No 56 of 2003.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 6 to 76, which have been prepared on the going concern basis, were approved by the accounting officer on 31 Augustus 2019 and were signed on its behalf by:



SS Matsi
Acting Accounting Officer

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	3	156 654 313	156 275 402
Other receivables from non-exchange transactions	5	5 789 309	7 659 675
VAT receivable	6	45 679 391	38 826 409
Consumer debtors	4	78 465 969	78 259 713
Cash and cash equivalents	7	38 757 908	34 336 670
		325 346 890	315 357 869
Non-Current Assets			
Investment property	9	112 603 420	107 807 270
Property, plant and equipment	8	900 367 886	889 885 691
Intangible assets	10	1 034 104	-
Heritage assets	11	360 341	360 341
		1 014 365 751	998 053 302
Total Assets		1 339 712 641	1 313 411 171
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	768 407 157	611 349 292
Consumer deposits	13	4 264 892	3 625 348
Employee benefit obligation	15	5 198 650	5 390 300
Unspent conditional grants and receipts	14	-	21 773 768
Provisions	16	1 179 686	1 202 614
		779 050 385	643 341 322
Non-Current Liabilities			
Employee benefit obligation	15	29 751 068	32 052 499
Provisions	16	29 621 509	34 696 325
		59 372 577	66 748 824
Total Liabilities		838 422 962	710 090 146
Net Assets		501 289 679	603 321 025
Accumulated surplus		501 289 675	603 321 020

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	207 871 662	196 501 075
Interest revenue	18	27 469 725	22 559 871
Actuarial gains		7 043 049	8 283 356
Fair value adjustment on investment property	24	4 796 150	2 740 881
Other income	19	11 531 768	10 570 944
Rental of facilities and equipment	20	1 702 979	2 988 270
Total revenue from exchange transactions		260 415 333	243 644 397
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	101 514 199	94 356 896
Transfer revenue			
Government grants & subsidies	22	208 649 189	221 364 541
Fines, Penalties and Forfeits	23	4 659 681	4 114 346
Total revenue from non-exchange transactions		314 823 069	319 835 783
Total revenue		575 238 402	563 480 180
Expenditure			
Employee related costs	25	(208 526 030)	(185 649 845)
Bulk purchases	27	(139 517 159)	(121 720 601)
General Expenses	28	(113 117 996)	(96 235 116)
Depreciation and amortisation	29	(51 326 210)	(58 671 626)
Contracted services	30	(55 603 293)	(43 636 982)
Finance costs	31	(44 137 929)	(28 227 290)
Debt Impairment	32	(50 468 972)	(23 392 946)
Remuneration of councillors	26	(10 765 748)	(10 267 980)
Impairment loss/ Reversal of impairments	33	(3 806 412)	-
Total expenditure		(677 269 749)	(567 802 386)
Deficit for the year		(102 031 347)	(4 322 206)

* See Note 36

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	876 635 504	876 635 504
Adjustments		
Prior year adjustments	(288 146 535)	(288 146 535)
Balance at 01 July 2017 as restated*	607 643 226	607 643 226
Changes in net assets		
Deficit for the year	(4 322 206)	(4 322 206)
Total changes	(4 322 206)	(4 322 206)
Restated* Balance at 01 July 2018	603 321 022	603 321 022
Changes in net assets		
Deficit for the year	(102 031 347)	(102 031 347)
Total changes	(102 031 347)	(102 031 347)
Balance at 30 June 2019	501 289 675	501 289 675

* See Note 36

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Taxation		91 164 873	72 481 743
Sale of goods and services		203 648 595	191 715 545
Grants		186 875 421	235 626 051
Interest income		3 899 792	2 892 684
		485 588 681	502 716 023
Payments			
Employee costs		(219 291 778)	(184 282 629)
Suppliers		(151 385 199)	(189 973 405)
Finance costs		(39 453 187)	(22 988 639)
		(410 130 164)	(397 244 673)
Net cash flows from operating activities	43	75 458 517	105 471 350
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(69 404 107)	(88 834 055)
Purchase of other intangible assets	10	(1 633 172)	-
Net cash flows from investing activities		(71 037 279)	(88 834 055)
Net increase/(decrease) in cash and cash equivalents		4 421 238	13 186 353
Cash and cash equivalents at the beginning of the year		34 336 670	21 150 317
Cash and cash equivalents at the end of the year	7	38 757 908	34 336 670

The accounting policies on pages 13 to 32 and the notes on pages 33 to 76 form an integral part of the annual financial statements.

* See Note 36

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	269 644 548	(12 400 000)	257 244 548	207 871 662	(49 372 886)	
Rental of facilities and equipment	-	-	-	1 702 979	1 702 979	Note 48
Other income	68 219 932	(35 000 000)	33 219 932	11 531 768	(21 688 164)	Note 48
Interest revenue	4 705 752	-	4 705 752	27 469 725	22 763 973	Note 48
Total revenue from exchange transactions	342 570 232	(47 400 000)	295 170 232	248 576 134	(46 594 098)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	135 594 001	(35 000 000)	100 594 001	101 514 199	920 198	Note 48
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Transfer revenue

Government grants & subsidies	221 165 000	1 643 973	222 808 973	208 649 189	(14 159 784)	Note 48
Fines, Penalties and Forfeits	-	-	-	4 659 681	4 659 681	Note 48

Total revenue from non-exchange transactions	356 759 001	(33 356 027)	323 402 974	314 823 069	(8 579 905)	
Total revenue	699 329 233	(80 756 027)	618 573 206	563 399 203	(55 174 003)	

Expenditure

Employee related costs	(193 635 644)	-	(193 635 644)	(208 526 030)	(14 890 386)	Note 48
Remuneration of councillors	(10 800 955)	(214 958)	(11 015 913)	(10 765 748)	250 165	Note 48
Depreciation and amortisation	(37 211 000)	(23 000 000)	(60 211 000)	(51 326 210)	8 884 790	Note 48
Impairment loss/ Reversal of impairments	-	-	-	(3 806 412)	(3 806 412)	
Finance costs	(10 200 000)	(19 800 000)	(30 000 000)	(44 137 929)	(14 137 929)	Note 48
Debt Impairment	-	-	-	(50 468 972)	(50 468 972)	Note 48
Bulk purchases	(172 243 340)	-	(172 243 340)	(139 517 159)	32 726 181	Note 48
Contracted Services	-	-	-	(55 603 293)	(55 603 293)	Note 48
Transfers and Subsidies	(14 231 660)	-	(14 231 660)	-	14 231 660	
General Expenses	(147 750 081)	(10 238 523)	(157 988 604)	(113 117 996)	44 870 608	
Total expenditure	(586 072 680)	(53 253 481)	(639 326 161)	(677 269 749)	(37 943 588)	

Operating deficit	113 256 553	(134 009 508)	(20 752 955)	(113 870 546)	(93 117 591)	
Fair value adjustments	-	-	-	4 796 150	4 796 150	Note 48
Actuarial gains/losses	-	-	-	7 043 049	7 043 049	Note 48
	-	-	-	11 839 199	11 839 199	

Deficit before taxation	113 256 553	(134 009 508)	(20 752 955)	(102 031 347)	(81 278 392)	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	113 256 553	(134 009 508)	(20 752 955)	(102 031 347)	(81 278 392)	
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Thaba Chweu Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	301 727 739	(145 452 598)	156 275 141	156 654 313	379 172	Note 48
Other receivables from non-exchange transactions	15 563 000	30 932 453	46 495 453	5 789 309	(40 706 144)	Note 48
VAT receivable	-	-	-	45 679 391	45 679 391	Note 48
Consumer debtors	-	78 259 713	78 259 713	78 465 969	206 256	
Cash and cash equivalents	2 483 882	48 487 700	50 971 582	38 757 908	(12 213 674)	Note 48
	319 774 621	12 227 268	332 001 889	325 346 890	(6 654 999)	

Non-Current Assets

Investment property	191 727 000	(83 919 730)	107 807 270	112 603 420	4 796 150	Note 48
Property, plant and equipment	2 334 897 129	(1 179 474 822)	1 155 422 307	900 367 886	(255 054 421)	Note 48
Intangible assets	-	-	-	1 034 104	1 034 104	
Heritage assets	360 341	-	360 341	360 341	-	
	2 526 984 470	(1 263 394 552)	1 263 589 918	1 014 365 751	(249 224 167)	

Total Assets **2 846 759 091** **(1 251 167 284)** **1 595 591 807** **1 339 712 641** **(255 879 166)**

Liabilities

Current Liabilities

Payables from exchange transactions	535 727 346	118 546 503	654 273 849	768 407 157	114 133 308	Note 48
Consumer deposits	6 478 507	(2 853 652)	3 624 855	4 264 892	640 037	Note 48
Employee benefit obligation	-	-	-	5 198 650	5 198 650	Note 48
Provisions	87 730 648	(86 528 386)	1 202 262	1 179 686	(22 576)	
	629 936 501	29 164 465	659 100 966	779 050 385	119 949 419	

Non-Current Liabilities

Employee benefit obligation	-	-	-	29 751 068	29 751 068	Note 48
Provisions	12 727 500	32 459 499	45 186 999	29 621 509	(15 565 490)	Note 48
	12 727 500	32 459 499	45 186 999	59 372 577	14 185 578	

Total Liabilities **642 664 001** **61 623 964** **704 287 965** **838 422 962** **134 134 997**

Net Assets **2 204 095 090** **(1 312 791 248)** **891 303 842** **501 289 679** **(390 014 163)**

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	2 204 095 090	(1 312 791 248)	891 303 842	501 289 679	(390 014 163)	
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Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	103 051 441	(35 000 000)	68 051 441	92 244 693	24 193 252	Note 48
Service charges	232 710 802	(38 400 000)	194 310 802	191 585 462	(2 725 340)	Note 48
Grants	221 165 000	1 643 459	222 808 459	186 875 321	(35 933 138)	Note 48
Interest income	23 986 428	-	23 986 428	2 649 869	(21 336 559)	Note 48
Other revenue	58 897 256	-	58 897 256	-	(58 897 256)	Note 48
	639 810 927	(71 756 541)	568 054 386	473 355 345	(94 699 041)	

Payments

Employee costs	(546 562 170)	-	(546 562 170)	(201 013 937)	345 548 233	Note 48
Suppliers	-	-	-	(177 626 289)	(177 626 289)	Note 48
Finance costs	(10 200 000)	-	(10 200 000)	(39 453 187)	(29 253 187)	Note 48
Transfers and grants	(11 231 660)	-	(11 231 660)	-	11 231 660	Note 48
	(567 993 830)	-	(567 993 830)	(418 093 413)	149 900 417	

Net cash flows from operating activities	71 817 097	(71 756 541)	60 556	55 261 932	55 201 376	
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Cash flows from investing activities

Purchase of property, plant and equipment	(112 132 000)	-	(112 132 000)	-	112 132 000	Note 48
Net increase/(decrease) in cash and cash equivalents	(40 314 903)	(71 756 541)	(112 071 444)	55 261 932	167 333 376	Note 48
Cash and cash equivalents at the beginning of the year	42 799 040	-	42 799 040	34 336 670	(8 462 370)	Note 48
Cash and cash equivalents at the end of the year	2 484 137	(71 756 541)	(69 272 404)	89 598 602	158 871 006	

The accounting policies on pages 13 to 32 and the notes on pages 33 to 76 form an integral part of the annual financial statements.

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous year.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value at the end of each reporting period. Any write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

Impairment testing

The recoverable service amounts of assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that key assumptions assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The value in use calculation is based the depreciated replacement cost of the asset. All assets of the municipality are deemed to be non-cash generating assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of tangible assets

The municipality's management determines the estimated useful lives and related depreciation charges for the tangible assets. This estimate is based on industry norm. Management will adjust the depreciation charge where useful lives are different to the previously estimated useful lives.

Changes in estimates are accounted for prospectively using accumulative catch-up of past depreciation.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On trade receivables from exchange and non-exchange, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the trade receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

The provision for doubtful debt is determined by taking into account the payment rate by exchange receivable (consumer debtor), indigent status, whether the consumer debtor has a credit balance at financial year end as well as whether the consumer debtor is government related or not.

Non-exchange receivables (Traffic fine debtors) have been impaired taking into account historical payment rates by these non-exchange receivables.

Traffic fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Non exchange receivables arising from traffic fines are measured at the best estimate based on expected inflows of economic benefits to the municipality.

Budget information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences (between budget and actual amounts) are explained in the notes to the annual financial statements.

1.4 Investment property

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.5 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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1.5 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Landfill sites	Straight line	4 - 17 years
Land and buildings	Straight line	5 - 50 years
Plant and machinery	Straight line	5 - 15 years
Furniture and fixtures	Straight line	5 - 15 years
Motor vehicles	Straight line	4 - 20 years
Office equipment	Straight line	5 - 15 years
Computer software	Straight line	5 - 15 years
Infrastructure	Straight line	3 - 100 years
Community	Straight line	5 - 50 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.7 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software and infrastructure/systems	Straight line	1-3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.8 Heritage assets

Recognition

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

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1.8 Heritage assets (continued)

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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1.9 Investments in controlled entities

1.10 Financial instruments

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1.10 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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1.10 Financial instruments (continued)

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.11 Statutory receivables

Identification

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

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1.11 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
distribution at no charge or for a nominal charge; or
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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1.13 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Impairment of non-cash-generating assets

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

All tangible assets of the municipality are deemed to be non-cash generating assets.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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1.14 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.15 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

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1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

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1.15 Employee benefits (continued)

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Termination benefits

1.16 Provisions and contingencies

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

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1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

changes in the liability is added to, or deducted from, the cost of the related asset in the current period. the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit. if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.14.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.18 Revenue from exchange transactions

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
the amount of revenue can be measured reliably;
it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 Revenue from non-exchange transactions

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.20 Comparative amounts

Where necessary, comparative amounts have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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Accounting Policies

1.21 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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Accounting Policies

1.24 Budget information (continued)

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.26 Events after reporting date

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Value Added Tax

The municipality accounts for VAT on the payment basis.

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Figures in Rand	2019	2018
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Not expected to impact results but may result in additional disclosure
GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

3. Inventories

Consumable stores	2 102 474	1 714 286
Water	40 163	49 440
Unsold Properties Held for Resale	154 511 676	154 511 676
	156 654 313	156 275 402

3.1 Non - Financial information

Inventory pledged as security

During the year no inventory was pledged as security.

4. Consumer debtors

Gross balances

Rates	128 660 809	118 243 271
Electricity	57 407 942	56 676 043
Water	80 405 888	66 041 369
Sewerage	29 915 235	24 022 172
Refuse	29 083 075	23 346 515
Housing rental	6 963 417	5 351 041
Other (Sundry services)	10 049 506	9 568 382
	342 485 872	303 248 793

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4. Consumer debtors (continued)		
Less: Allowance for impairment		
Rates	(93 818 121)	(83 434 689)
Electricity	(43 972 545)	(39 887 081)
Water	(64 196 511)	(52 748 444)
Sewerage	(24 816 735)	(19 429 262)
Refuse	(23 932 101)	(18 286 876)
Housing rental	(6 534 219)	(4 870 228)
Other (Sundry services)	(6 749 671)	(6 332 500)
	(264 019 903)	(224 989 080)
Net balance		
Rates	34 842 688	34 808 582
Electricity	13 435 397	16 788 962
Water	16 209 377	13 292 925
Sewerage	5 098 500	4 592 910
Refuse	5 150 974	5 059 639
Housing rental	429 198	480 813
Other (Sundry services)	3 299 835	3 235 882
	78 465 969	78 259 713
Included in above is receivables from exchange transactions		
Electricity	16 209 376	16 788 962
Water	13 435 397	13 292 925
Sewerage	5 098 499	4 592 910
Refuse	5 150 975	5 059 639
Other (Sundry services)	115 447	3 235 882
Housing rental	429 198	480 813
	40 438 892	43 451 131
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	34 842 427	34 808 582
Net balance	75 281 319	78 259 713
Rates		
Current (0 -30 days)	6 688 367	6 453 789
31 - 60 days	2 763 412	3 164 567
61 - 90 days	2 578 391	2 825 200
91 - 120 days	2 467 443	2 642 531
> 121 days	114 162 934	103 157 183
	128 660 547	118 243 270
Electricity		
Current (0 -30 days)	6 962 432	7 700 048
31 - 60 days	2 146 944	2 781 868
61 - 90 days	1 334 167	2 215 990
91 - 120 days	1 353 453	1 785 814
> 121 days	45 610 946	42 192 323
	57 407 942	56 676 043

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4. Consumer debtors (continued)		
Water		
Current (0 -30 days)	4 694 657	4 625 254
31 - 60 days	2 336 922	2 054 654
61 - 90 days	1 957 454	1 857 914
91 - 120 days	1 821 462	1 526 099
> 121 days	69 595 394	55 977 449
	80 405 889	66 041 370
Sewerage		
Current (0 -30 days)	1 401 039	1 173 138
31 - 60 days	755 242	649 748
61 - 90 days	710 432	588 833
91 - 120 days	655 557	573 375
> 121 days	26 392 965	21 037 076
	29 915 235	24 022 170
Refuse		
Current (0 -30 days)	1 852 109	1 596 962
31 - 60 days	840 014	700 624
61 - 90 days	765 146	665 168
91 - 120 days	699 260	631 309
> 121 days	24 926 546	19 752 453
	29 083 075	23 346 516
Housing rental		
Current (0 -30 days)	154 998	269 636
31 - 60 days	131 987	244 551
61 - 90 days	129 155	234 835
91 - 120 days	127 667	233 588
> 121 days	6 419 611	4 368 431
	6 963 418	5 351 041
Other (sundries)		
Current (0 -30 days)	103 477	38 400
31 - 60 days	39 898	37 401
61 - 90 days	36 317	36 206
91 - 120 days	35 975	36 995
> 121 days	9 829 275	9 419 381
	10 044 942	9 568 383

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4. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	9 989 780	9 840 288
31 - 60 days	4 278 753	3 859 342
61 - 90 days	3 590 701	3 740 508
91 - 120 days	3 457 779	3 182 697
> 121 days	139 300 706	110 500 631
	160 617 719	131 123 466
Less: Allowance for impairment	(145 831 193)	(114 820 525)
	14 786 526	16 302 941
Industrial/ commercial		
Current (0 -30 days)	10 042 833	9 926 469
31 - 60 days	3 599 353	4 910 180
61 - 90 days	2 870 628	3 809 142
91 - 120 days	2 596 193	3 326 429
>121 days	111 272 831	108 543 319
	130 381 838	130 515 539
Less: Allowance for impairment	(108 829 819)	(102 875 979)
	21 552 019	27 639 560
National and provincial government		
Current (0 -30 days)	1 824 467	2 090 469
31 - 60 days	1 136 312	863 890
61 - 90 days	1 049 733	874 496
91 - 120 days	1 106 844	920 586
> 121 days	46 368 949	36 860 345
	51 486 305	41 609 786
Less: Allowance for impairment	(9 358 890)	(7 292 574)
	42 127 415	34 317 212
Total		
Current (0 -30 days)	21 857 080	21 857 227
31 - 60 days	9 014 419	9 633 412
61 - 90 days	7 511 062	8 424 146
91 - 120 days	7 160 815	7 429 711
> 121 days	296 942 496	255 904 297
	342 485 872	303 248 793
Less: Allowance for impairment	(264 019 903)	(224 989 080)
	78 465 969	78 259 713
Reconciliation of allowance for impairment		
Balance at beginning of the year	(224 989 080)	(205 868 711)
Contributions to allowance	(39 030 823)	(19 120 369)
	(264 019 903)	(224 989 080)

Consumer debtors pledged as security

None of the receivables transactions was pledged as security by the municipality during the financial year.

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4. Consumer debtors (continued)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each type of consumer receivable listed above. The municipality does not hold any collateral as security.

5. Other receivables from non-exchange transactions

Fines	1 012 192	2 685 817
Other receivables from non-exchange revenue	4 777 117	4 973 858
	5 789 309	7 659 675

Other receivables from non-exchange transactions pledged as security

None of the receivables transactions was pledged as security by the municipality during the financial year

Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Other receivables from non-exchange transactions impaired

As of 30 June 2019, other receivables from non-exchange transactions of R 5 201 810 (2018: R -) were impaired and provided for.

The amount of the provision was R 5 201 810 as of 30 June 2019 (2018: R -).

6. VAT receivable

VAT	45 679 391	38 826 409
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No interest is payable to SARS if the VAT is paid over timeously. Interest for late payments is charged according to SARS policy.

The Municipality has financial risk policies in place to ensure that payments are effected before its due date.

The municipality accounts for VAT on the payments basis. All VAT 201 forms were filed during the financial year.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	4 721 965	6 273 188
Short-term deposits	34 035 943	28 063 482
	38 757 908	34 336 670

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7. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rates:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Absa Lydenburg (10-1000-0218)	3 214 270	274 953	1 431 694	3 214 270	274 953	1 431 694
Absa Thaba Chweu Projects (40-8177-4894)	5 571	8 036	3 575	5 571	8 036	3 575
Absa Sabie (40-5826-4705)	339 690	170 912	75 128	339 690	170 912	75 128
Standard Bank-Ringfence Electricity (488-610-621-004)	1 180 717	9 922 670	53 454	1 180 717	9 922 670	53 454
Standard Bank - Primary Account (24-320-336-5)	1 094 820	5 779 736	3 220 024	1 072 820	5 779 736	3 215 299
Standard Bank - Traffic (250-970-627-000)	95 209	47 587	140 754	95 209	47 587	140 754
Standard bank Call - Post Office (488-610-621-001)	105 423	64 687	57 561	105 423	64 687	57 561
Standard Bank MIG - Call (488-610-621-002)	16 295 962	12 514 237	248 208	16 295 962	12 514 237	248 208
Standard Bank MWIG - Call (488-610-621-003)	840 419	5 553 851	11 183	840 419	5 553 851	11 183
NEDBANK CALL ACCOUNT BANK - (037 881 149 280)	15 607 851	-	-	15 607 851	-	-
Total	38 779 932	34 336 669	5 241 581	38 757 932	34 336 669	5 236 856

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8. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Landfill site	39 422 380	(26 152 034)	13 270 346	39 422 380	(14 909 521)	24 512 859
Buildings	61 260 786	(25 525 328)	35 735 458	(3 149 449)	41 437 440	38 287 991
Land	17 926 709	-	17 926 709	17 926 709	-	17 926 709
Plant and machinery	10 014 638	(9 623 568)	391 070	10 002 168	(5 345 207)	4 656 961
Furniture and fixtures	5 867 292	(4 333 749)	1 533 543	5 623 595	(4 066 270)	1 557 325
Motor vehicles	17 097 651	(2 944 980)	14 152 671	16 470 260	(1 835 387)	14 634 873
Office equipment	2 250 393	(1 380 215)	870 178	2 193 376	(1 213 206)	980 170
IT equipment	4 718 005	(2 100 745)	2 617 260	2 660 492	(1 877 958)	782 534
Infrastructure	920 340 085	(283 071 201)	637 268 884	906 594 535	(247 572 597)	659 021 938
Community	132 006 208	(55 003 260)	77 002 948	132 006 208	(49 501 489)	82 504 719
Other property, plant and equipment	99 598 819	-	99 598 819	45 019 612	-	45 019 612
Total	1 310 502 966	(410 135 080)	900 367 886	1 174 769 886	(284 884 195)	889 885 691

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Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Reduction due to GRAP 19 re-measure	Depreciation	Impairment loss	Total
Landfill site	24 512 859	-	-	(6 300 358)	(4 942 155)	-	13 270 346
Buildings	38 287 991	-	-	-	(2 552 533)	-	35 735 458
Land	17 926 709	-	-	-	-	-	17 926 709
Plant and machinery	4 656 961	12 469	-	-	(472 311)	(3 806 049)	391 070
Furniture and fixtures	1 557 325	243 697	-	-	(267 479)	-	1 533 543
Motor vehicles	14 634 873	627 391	-	-	(1 109 593)	-	14 152 671
Office equipment	980 170	50 747	-	-	(160 739)	-	870 178
IT equipment	782 534	2 056 301	-	-	(221 575)	-	2 617 260
Infrastructure	659 021 938	3 027 033	10 718 517	-	(35 498 604)	-	637 268 884
Community	82 504 719	-	(1 513)	-	(5 500 258)	-	77 002 948
Other property, plant and equipment WIP	45 019 612	65 297 724	(10 718 517)	-	-	-	99 598 819
	889 885 691	71 315 362	(1 513)	(6 300 358)	(50 725 247)	(3 806 049)	900 367 886

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Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers	Reduction due to GRAP 19 re-measure	Depreciation	Total
Landfill site	37 689 745	-	-	(8 200 509)	(4 976 377)	24 512 859
Buildings	40 840 526	-	-	-	(2 552 535)	38 287 991
Land	17 926 709	-	-	-	-	17 926 709
Plant and machinery	2 902 705	2 278 381	-	-	(524 125)	4 656 961
Furniture and fixtures	1 517 604	507 479	-	-	(467 758)	1 557 325
Motor vehicles	8 106 401	7 129 418	-	-	(600 946)	14 634 873
Office equipment	863 341	292 067	-	-	(175 238)	980 170
IT equipment	900 721	66 260	-	-	(184 447)	782 534
Infrastructure	609 757 134	-	83 837 113	-	(34 572 309)	659 021 938
Community	88 005 627	-	-	-	(5 500 908)	82 504 719
Other property, plant and equipment (WIP)	54 072 276	82 672 371	(91 725 035)	-	-	45 019 612
	862 582 789	92 945 976	(7 887 922)	(8 200 509)	(49 554 643)	889 885 691

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Land	Straight line	Indefinite
Buildings	Straight line	5 - 50 years
Landfill sites	Straight line	4 - 19 years
Plant and machinery	Straight line	5 - 15 years
Furniture and fixtures	Straight line	5 - 15 years
Motor vehicles	Straight line	4 - 20 years
Office equipment	Straight line	5 - 15 years
Computer software	Straight line	5 - 15 years
Infrastructure	Straight line	3 - 100 years
Community	Straight line	5 - 50 years

Other information

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8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	45 019 612	-	2 840 766	47 860 378
Additions	44 501 234	10 761 111	7 194 615	62 456 960
Transferred to completed items	(10 718 517)	-	-	(10 718 517)
	78 802 329	10 761 111	10 035 381	99 598 821

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within buildings	Total
Opening balance	49 421 129	4 651 146	-	54 072 275
Additions	76 594 832	3 236 774	2 480 000	82 672 371
Transferred to completed items	(80 996 349)	(7 887 920)	-	(88 884 269)
	45 019 612	-	2 480 000	47 860 377

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

During the financial year the municipality made certain reclassifications within categories of movable assets as well as prior year corrections to assets as disclosed in note 36.

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9. Investment property

	2019		2018	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Investment property	1 12 603 420	-	1 12 603 420	107 807 270
				-
				107 807 270
Reconciliation of investment property - 2019				
Investment property			Opening balance	Fair value adjustments
			107 807 270	4 796 150
				112 603 420
Reconciliation of investment property - 2018				
Investment property			Opening balance	Fair value adjustments
			105 066 389	2 740 881
				107 807 270

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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10. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 633 172	(599 068)	1 034 104	-	-	-

Reconciliation of Intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	1 633 172	(599 068)	1 034 104

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11. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	360 341	-	360 341	360 341	-	360 341

Reconciliation of heritage assets 2019

Art Collections, antiquities and exhibits	360 341	360 341
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Reconciliation of heritage assets 2018

	Opening balance	Total
Art Collections, antiquities and exhibits	360 341	360 341

12. Payables from exchange transactions

Trade payables	676 793 630	552 160 677
Leave accrual	28 627 817	14 101 603
Payments received in advanced - Trade Receivables	8 754 783	9 680 934
Retentions	8 462 696	9 864 128
Other payables	7 742 950	8 891 424
Accruals	26 358 364	9 291 215
Staff bonus accrual	8 767 865	4 088 468
Deferred income	1 111 712	1 112 221
Unallocated deposits	1 787 340	2 158 622
	768 407 157	611 349 292

During the financial year the municipality made corrections to trade payables resulting in the restatement as disclosed in note 36.

13. Consumer deposits

Electricity	4 264 892	3 625 348
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Consumer deposits are paid by consumers on application of new electricity connections. The deposits are repaid when the electricity connections are terminated.

In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid by the municipality on consumer deposits held.

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14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Dept of Minerals and Energy	-	-
Dept of Public Services and Administration (DPSA)	-	16 832 770
Water Services Infrastructure Grant (WSIG)	-	489 608
Electricity efficiency and demand	-	705 930
	-	21 773 768

See note 22 for reconciliation of grants from National/Provincial Government.

15. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method. The projected liability is based on actuarial assumptions about the future. The liability for in-service members is accrued over their expected working lifetimes.

At the valuation date of 30 June 2019, membership of health care arrangements entitled to a post-employment medical aid subsidy was 243 in-service members (employees) and 22 continuation members (retirees and widows).

Post retirement gratuity plan

The municipality has an obligation in respect of the entitlement of employees to long service awards (LSA). The LSA is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

There are 450 employees that are currently entitled to Long Service Awards. The average age of employees eligible for long service bonus awards as at 30 June 2019 is 44.03 years and the average past service years as at 30 June 2019 is 11.82 years.

The Municipality offers employees bonuses for every 5 years of completed service from 10 to 45 years.

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in the future based on service accrued to the valuation date and awards projected to the retirement date.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(27 983 799)	(32 671 672)
Present value of the long service award obligation-wholly funded	(9 459 000)	(8 485 000)
Decrease / (Increase) in defined benefit obligation	1 116 081	4 687 873
Decrease / (Increase) in long service award obligation	1 377 000	(974 000)
	(34 949 718)	(37 442 799)
Non-current liabilities	(29 751 068)	(32 052 499)
Current liabilities	(5 198 650)	(5 390 300)
	(34 949 718)	(37 442 799)

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Figures in Rand	2019	2018
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15. Employee benefit obligations (continued)

Changes in the present value of the DEFINED BENEFIT OBLIGATION are as follows:

Opening balance	(27 983 799)	(32 671 672)
Current service cost	(1 223 172)	(1 164 138)
Current interest cost	(2 718 128)	(3 235 201)
Medical contribution subsidies for continuation pensioners	1 111 332	832 856
Actuarial (gain)/loss for the year	3 946 049	8 254 356
	(26 867 718)	(27 983 799)

Net expense recognised in the statement of financial performance

Current service cost - defined benefit plan	111 840	1 164 138
Current service cost - long service awards	829 000	759 000
Interest cost - defined benefit plan	2 718 128	3 235 201
Interest cost - long service awards	764 000	719 000
Actuarial (gains) losses - defined benefit plan	(3 946 049)	(8 254 356)
Actuarial (gains) losses - long service awards	(1 185 000)	(29 000)
	(708 081)	(2 406 017)

Calculation of actuarial gains and losses

Actuarial (gains) losses – defined benefit plan	(3 946 049)	(8 254 356)
Actuarial (gains) losses – long service awards	(1 185 000)	(29 000)
	(5 131 049)	(8 283 356)

Changes in the present value of the LONG SERVICE AWARD obligation are as follows:

Opening balance	(9 459 000)	(8 485 000)
Current service cost	(829 000)	(759 000)
Current interest cost	(764 000)	(719 000)
Actuarial gains for the financial year	1 185 000	29 000
Benefits paid	1 785 000	475 000
	(8 082 000)	(9 459 000)

During the financial year the municipality restated the comparative figure for actuarial gains in terms of the Long Service Award as per the actuarial report. The correction is disclosed in note 36.

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15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate [D] - Defined Benefit Plan	10,43 %	9,91 %
Discount rate (D) - Long Service Awards	8,10 %	8,92 %
General salary inflation rate - Long term	5,38 %	6,44 %
Health care cost inflation [H]	7,82 %	7,66 %
Consumer Price Inflation [C] - Defined benefit plan	6,32 %	6,42 %
Consumer Price Inflation [C] - Long service awards	4,38 %	5,52 %
Defined benefit plan - Net discount rate - $[(1+D)/(1+H)-1]$	2,42 %	2,09 %
Long service awards - Net discount rate	2,58 %	2,33 %

DEFINED BENEFIT PLAN - Explanation of assumptions used

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's postemployment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age.

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill health and early retirements

Discount rate

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

Consequently, a discount rate of 10.43% per annum has been used.

We have assumed the continuation of the post-employment health care subsidy would be at 100% of active employees or their surviving dependents. The basis on which the discount rate has been determined is as follow: [state basis]

Health care cost inflation rate

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs. Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 7.82% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, consistent with the previous actuary. At the previous valuation date, 30 June 2018 the duration of liabilities was 13.74 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 27 June 2019 is 10.43% per annum, and the yield on the inflation linked bonds of a similar term was about 3.40% per annum, implying an underlying expectation of inflation of 6.32% per annum $[(1 + 10.43\% - 0.5\%) / (1 + 3.40\%) - 1]$.

However, it is the relative levels of the discount rate and health care inflation to one another that are important, rather than the nominal values. The actuarial consultant thus assumed a net discount factor of 2.42% per annum $[(1 + 10.43\%) / (1 + 7.82\%) - 1]$.

Demographic, decrement, withdrawal rates and continuation assumptions

These assumptions used are consistent with the assumptions used in the prior year. The actuarial consultant have assumed the continuation of the post-employment health care subsidy would be at 100% of active employees or their surviving dependents.

LONG SERVICE AWARDS - Explanation of assumptions used

As stipulated above, GRAP 25 requires that the discount rate used should be derived from government bond yields consistent with the estimated term and the currency of the employee benefit liabilities.

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15. Employee benefit obligations (continued)

At the previous valuation report, 30 June 2018 the duration of liabilities was 6.37 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2019 is 8.10% p.a. The yield on inflation linked bonds of a similar term was approximately 3.08% per annum. This an underlying expectation of inflation of 4.38% p.a. $([1 + 8.10\% - 0.5\%] / [1 + 3.08\%] - 1)$.

It has been assumed by the actuarial consultant that salary inflation would exceed general inflation by 1% p.a. i.e. 5.38%

It is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. The actuarial consultant has thus assumed a net discount factor of 2.58% p.a. $([1 + 8.10\%] / [1 + 5.38\%] - 1)$.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	4 666 296	(3 361 950)
Effect on defined benefit obligation	32 210 964	24 523 142

Amounts for the current and previous four years are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	26 867 718	27 983 799	29 929 309	-	-
Long term service award obligation	8 082 000	10 122 000	8 485 000	-	-

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16. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Unwinding of discount	Total
Environmental rehabilitation	35 898 939	(6 300 358)	1 202 614	30 801 195

Reconciliation of provisions - 2018

	Opening Balance	Additions	Unwinding of discount	Total
Environmental rehabilitation	42 814 998	(8 200 509)	1 284 450	35 898 939
Non-current liabilities			29 621 509	34 696 325
Current liabilities			1 179 686	1 202 614
			30 801 195	35 898 939

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate its landfill site in terms of its license stipulations. The net present value of the rehabilitation cost of landfill sites has been determined as at 30 June 2019 by technical specialists.

The environmental rehabilitation provision relates to three landfill sites namely Lydenburg, Graskop and Sabie. The number of years till closure for these respective landfill sites have been listed below.

Number of years till closure of landfill sites

Lydenburg	2	3
Graskop	15	16
Sabie	7	8
	-	-

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 27 June 2019 was 9.64% p.a. The consumer price inflation of 6.21% p.a. was obtained from the differential between the averages of the Nominal Bond of 9.64% p.a. and the Real Bond 3.23% p.a. (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 27 June 2019.

Key Financial Assumptions used

Discount rate (D)	10	9
Consumer Price Inflation (C)	6	6
Net discount rate $((1 + D) / (1 + H) - 1)$	3	3

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	2019	2018 Restated*
17. Service charges		
Sale of electricity	141 310 428	135 489 139
Sale of water	40 218 017	37 134 126
Sewerage and sanitation charges	11 890 364	10 788 943
Refuse removal	14 452 853	13 088 867
	207 871 662	196 501 075

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

The service charges for both the 2019 and 2018 financial years have been disclosed after factoring in the total indigent subsidy expense of R 6 839 206 for year ending 30 June 2019 and R 6 092 917 for year ending 30 June 2018.

All registered indigents receive 100% subsidization on rates, refuse and sanitation. Indigents receive up to 10KL of water free every month as well as receiving 50KWH of electricity for free. Indigents are also able to purchase their first 350KWH of electricity every month at a subsidised rate.

18. Interest revenue

Interest revenue		
Bank	3 899 792	2 892 684
Interest charged on trade and other receivables	23 569 933	19 667 187
	27 469 725	22 559 871

19. Other income

Tender documents	904 602	905 270
Building plan fees	609 294	408 954
Sale of stands	-	349 820
Information supplied	206 253	243 744
Reconnections	182 377	214 167
Clearance certificates	221 448	197 567
Rezoning and consent use applications	175 187	173 466
Sundry income	918 197	112 319
Bulk services	195 717	90 538
Advertisement boards	98 332	87 581
Grave fees	74 528	69 261
Unallocated deposits released to income	7 945 833	5 310 577
Contribution for bulk line - DUMA project	-	2 407 680
	11 531 768	10 570 944

20. Rental of facilities and equipment

Premises		
Premises	1 632 643	2 904 719
Venue hire	70 336	83 551
	1 702 979	2 988 270

The rental income from premises is generated from renting out the Mashishing flats, hostels, town lands as well as municipal houses and municipal buildings.

Venue hire is primarily generated from the rental of municipal halls.

* See Note 36

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	2019	2018 Restated*
21. Property rates		
Rates received		
Residential	34 089 811	29 156 012
Small holdings and farms	15 044 337	21 416 585
Undeveloped land	15 751 208	15 774 336
State	24 438 133	14 860 292
Commercial	13 330 835	13 331 957
Industrial	2 065 819	2 064 019
Institutional	514 326	623 838
Less: Income forgone	(3 720 270)	(2 870 143)
	101 514 199	94 356 896

The residential property rates for both the 2019 and 2018 financial years have been disclosed after factoring in the total indigent support for rates expense of R 1 770 306 for year ending 30 June 2019 and R2 098 113 for year ending 30 June 2018.

Valuations

Residential	5 450 245 130	5 372 911 330
Small holdings and farms	3 238 468 940	3 220 458 500
Multi purposes properties	3 145 409 600	1 584 523 300
Commercial	1 278 507 400	1 246 857 400
State	1 149 066 600	1 129 104 700
Municipal	600 476 140	578 672 640
Undeveloped land	339 938 430	361 459 050
Industrial Property	178 956 700	177 476 700
Institutional	277 714 900	173 821 200
	15 658 783 840	13 845 284 820

Every five years the municipality compiles a valuation roll based on the value of land and buildings. The current valuation roll came into effect on 1 July 2014. The supplementary valuation is compiled on an annual basis. Changes to valuations are effected on a continuous basis. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.01227 (2018: R0.01227) is applied to property valuations to determine assessment rates. Rebates of 50% (2018: 50%) are granted to residential owners. Farm properties used for agricultural purposes (FAR) and farm properties not used for any purpose (AGN) as well as Public Benefit Organisations (PBO) receive rebates of 85%. Public Service Infrastructure organisations (PSI) receive rebates of 30% whilst indigents receive property tax rebates of 100%.

Rates are levied on an annual basis with the final date for payment being 01 July 2018 to 30 June 2019. Interest is charged at prime plus 1% per annum.

The new general valuation will be implemented on 01 July 2019.

* See Note 36

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	2019	2018 Restated*
22. Government grants and subsidies		
Operating grants		
Equitable share	132 621 000	124 393 050
INEP grant	8 680 460	9 254 540
Financial Management Grant	2 215 000	2 145 000
National EPWP grant	1 931 000	1 909 000
Department Of Public Service & Administration (DPSA)	-	423 650
LG Seta Grant	509 154	-
Energy efficiency grant	-	294 070
	145 956 614	138 419 310
Capital grants		
Municipal Infrastructure Grants	43 853 875	48 179 000
Municipal Water Infrastructure Grant	18 838 700	34 766 231
	62 692 575	82 945 231
	208 649 189	221 364 541
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	76 022 189	118 745 309
Unconditional grants received	132 627 000	124 393 050
	208 649 189	243 138 359
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive 100% subsidization on rates, refuse and sanitation. Indigents receive up to 10KL for free every month as well as receiving 50KWH of electricity for free. Indigents are also able to purchase their first 350KWH of electricity every month at a subsidised rate.		
Grant 1		
Conditions still to be met - remain liabilities (see note 14).		
Provide explanations of conditions still to be met and other relevant information.		
Municipal Infrastructural Grant (MIG)		
Current-year receipts	43 851 000	48 179 000
Conditions met - transferred to revenue	(43 851 000)	(48 179 000)
	-	-
The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure.		
Financial Management Grant (FMG)		
Current-year receipts	2 215 000	2 145 000

* See Note 36

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	2019	2018 Restated*
22. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(2 215 000)	(2 145 000)
	-	-

This grant is used to assist in support and implementation of financial management reforms, attendance at accredited training and capacity building programmes on financial management.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	16 832 770	6 599 000
Current-year receipts	12 000 000	45 000 000
Conditions met - transferred to revenue	(18 800 000)	(34 766 230)
Disapproved rollover	(10 032 770)	-
	-	16 832 770

The grant has been provided by department of Water Affairs to try to get water to areas where it was recognised that full services would not become available.

INEP Grant

Balance unspent at beginning of year	3 745 460	-
Current-year receipts	4 935 000	13 000 000
Conditions met - transferred to revenue	(8 680 460)	(9 254 540)
	-	3 745 460

This grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

DPSA Grant

Balance unspent at beginning of year	489 608	913 257
Conditions met - transferred to revenue	-	(423 649)
Surrendered	(489 608)	-
	-	489 608

Conditions still to be met - remain liabilities (see note 14).

Energy efficiency grant

Balance unspent at beginning of year	705 930	-
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(294 070)
Disapproved rollover	(705 930)	-
	-	705 930

Conditions still to be met - remain liabilities (see note 14).

Expanded Public Works Program (EPWP)

Current-year receipts	1 931 000	1 909 000
Conditions met - transferred to revenue	(1 931 000)	(1 909 000)
Other	-	-

* See Note 36

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	2019	2018 Restated*
22. Government grants and subsidies (continued)		
	-	-
Conditions still to be met - remain liabilities (see note 14).		
The grant relates to the labour component within water infrastructure .		
23. Fines, Penalties and Forfeits		
Municipal Traffic Fines	4 316 510	3 245 650
Illegal Connections Fines	342 519	865 806
Building Fines	652	2 890
	4 659 681	4 114 346
24. Fair value adjustments		
Investment property (Fair value model)	4 796 150	2 740 881

* See Note 36

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	2019	2018 Restated*
25. Employee related costs		
Basic	111 563 825	102 598 512
Defined contribution plans	21 129 002	19 754 162
Car allowance	15 471 613	14 675 915
Overtime payments	11 054 633	8 395 940
Bonus	8 439 148	7 911 495
Leave pay provision charge	15 911 413	7 546 729
Medical aid - company contributions	7 270 671	6 598 445
13th Cheques	4 679 397	4 088 468
Cellphone allowances	3 910 970	3 365 958
Standby allowances	3 343 849	2 982 189
Long-service awards	956 000	2 887 232
Shift allowances	1 254 278	1 162 810
Post Employment Medical Aid	1 298 924	1 483 804
Housing benefits and allowances	977 400	960 315
UIF	809 277	808 903
Insurance Group Life	405 398	383 733
Other payroll levies	50 232	45 235
	208 526 030	185 649 845
Remuneration of - Municipal Manager		
Annual Remuneration	980 844	1 003 925
Contributions to UIF, Medical and Pension Funds	1 732	1 884
Acting allowance	514 465	-
Acting allowance back pay	50 479	-
Travel allowance	326 806	335 268
Cellphone Allowance	24 063	23 915
	1 898 389	1 364 992
Remuneration of - Chief Financial Officer		
Annual Remuneration	792 160	773 777
Travel allowance	241 046	258 552
Cellphone allowance	24 064	38 283
Travel allowance back pay	25 492	-
Contributions to UIF, Medical and Pension Funds	1 575	1 884
	1 084 337	1 072 496
Remuneration of director - Corporate Services		
Annual Remuneration	504 686	407 415
Acting allowance	466 865	456 840
Travel allowance	135 629	108 906
Contributions to UIF, Medical and Pension Funds	1 890	1 570
Cellphone allowance	26 307	19 837
	1 135 377	994 568
Remuneration of director - Technical Services		
Annual Remuneration	274 270	591 233
Acting allowance	108 262	227 799

* See Note 36

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	2019	2018 Restated*
25. Employee related costs (continued)		
Salary Backpay	33 709	-
Travel allowance	88 622	213 014
Contributions to UIF, Medical and Pension Funds	787	-
Cellphone allowance	10 808	23 915
Other	-	1 884
Leave payout	-	25 514
	516 458	1 083 359

Remuneration of director - Community Services

Annual Remuneration	818 200	681 518
Travel allowance	273 363	227 799
Salary back pay	275 865	-
Travel allowance back pay	16 701	10 049
Acting allowance	427 950	-
Contributions to UIF, Medical and Pension Funds	1 890	1 884
Cellphone allowance	26 307	23 915
	1 840 276	945 165

Remuneration of director - Local Economic Development

Annual Remuneration	876 033	820 316
Acting allowance	-	76 197
Travel allowance	299 095	290 729
Cellphone allowance	26 307	23 915
Contributions to UIF, Medical and Pension Funds	1 890	1 884
Salary back pay	53 071	-
	1 256 396	1 213 041

26. Remuneration of councillors

Executive Mayor	900 271	856 414
Chief Whip	686 934	650 885
Speaker	727 480	691 129
MMC: Finance and Technical Services	273 721	649 811
MMC: Corporate services and Human Settlement	686 039	658 170
MMC: Community services and Public Services	690 281	668 437
Portfolio Chairperson: MPAC	389 857	365 629
Ordinary Councillors	6 411 165	5 727 505
	10 765 748	10 267 980

In-kind benefits

The Executive Mayor, Speaker, Chief Whip, Portfolio Chairperson: MPAC and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor has two full-time bodyguards.

* See Note 36

Thaba Chweu Local Municipality

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Notes to the Annual Financial Statements

	2019	2018 Restated*
27. Bulk purchases		
Electricity	139 517 159	121 720 601
28. General expenses		
Electricity	24 471 562	26 680 769
Repairs and maintenance	13 358 975	13 441 860
Hire	4 345 287	1 689 321
Legal fees	661 093	2 138 592
Commission paid	5 652 732	6 477 274
Insurance	63 619	5 221 615
Auditors remuneration	7 701 199	5 313 381
Telephone and fax	6 717 342	3 862 931
Printing and stationery	3 853 208	2 494 347
Fuel and oil	3 229 871	2 355 147
Job creation expenses	5 035 546	3 516 744
Subscriptions and membership fees	4 912 959	2 038 018
Travel - local	2 806 412	2 072 730
Training	830 945	1 999 716
Computer expenses	4 815 590	1 512 977
Skills Development Levies	1 534 921	1 419 854
Other expenses	5 832 632	1 159 992
Consumables	2 800 795	305 070
Bank charges	520 974	825 976
Magazines, books and periodicals	3 194 223	752 999
Motor vehicle expenses	161 565	731 360
Conferences and seminars	887 869	633 394
Town planning and local economic development	415 241	548 990
Uniforms	128 618	523 676
Promotions	435 528	505 075
Free Basic Services	649 081	483 370
Consulting and professional fees	3 473 850	681 606
HIV / AIDS Programme	114 618	331 370
Postage and courier	2 211	302 458
Valuation costs	1 108 314	283 676
Disaster management	370 000	275 000
Billing charges	-	198 632
Staff welfare	383 371	183 032
Protective clothing	634 297	167 658
Cleaning	1 603 837	164 500
Placement fees	258 277	69 800
Refuse	44 143	40 392
Sewerage and waste disposal	3 977	3 775
Community development and training	57 794	-
Donations	-	105 656
Packaging	45 520	-
WCA	-	4 722 383
	113 117 996	96 235 116

During the financial year the municipality reclassified the comparative figure for Hire expenditure incorrectly included in other as disclosed in note 36.

* See Note 36

Thaba Chweu Local Municipality

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Notes to the Annual Financial Statements

	2019	2018 Restated*
29. Depreciation and amortisation		
Property, plant and equipment	50 727 142	58 671 626
Intangible assets	599 068	-
	51 326 210	58 671 626
30. Contracted services		
Presented previously		
Other Contractors	13 345 685	8 369 827
Outsourced Services		
Connection/Dis-connection	-	160 146
Refuse Removal	278 180	3 940 940
Security Services	7 171 963	6 041 125
Traffic Fines Management	136 849	1 205 154
Consultants and Professional Services		
Business and Advisory	9 309 809	6 795 394
Legal Cost	21 429 702	7 208 691
Contractors		
Electrical	-	2 204 281
Maintenance of roads	-	4 134 055
Preservation/Restoration/Dismantling/Cleaning Serv	3 931 105	3 577 369
	55 603 293	43 636 982
31. Finance costs		
Trade and other payables	39 453 187	21 876 923
Interest cost: post employment medical aid fund	2 718 128	3 235 201
Landfill site: unwinding of discount	1 202 614	1 284 450
Bank	-	1 111 716
Interest cost: long service awards	764 000	719 000
	44 137 929	28 227 290
32. Debt impairment		
Contributions to debt impairment provision - Traffic fines	5 201 810	-
Contributions to debt impairment provision - Consumer debtors	39 030 433	20 203 137
Bad debts written off - Consumer debtors	6 236 729	3 189 809
	50 468 972	23 392 946
33. Impairment of assets		
Impairments		
Property, plant and equipment	3 806 412	-
34. Auditors' remuneration		
Fees	7 701 199	5 313 381

* See Note 36

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Notes to the Annual Financial Statements

	2019	2018 Restated*
35. Contingencies		
Claimant		
Blom & others/ TCLM	5 076 609	5 076 609
Johannes Buti Nkosi/ TCLM	200 000	200 000
Matabane Civils Construction/ TCLM	3 543 064	3 543 064
Ntsumi Telecommunication/TCLM	6 156 000	6 156 000
Jako de Klerk & Marietjie Malan/ TCLM & Surprise Maebela	750 000	750 000
Hendrik J Samuels/ TCLM	750 000	750 000
Department of labour/ TCLM	1 500 000	-
South African securitisation programme & Fintech receivables/ TCLM	300 000	300 000
MBB Consulting services/ TCLM	14 140 981	14 140 981
Selina Clementine sibiya/ TCLM	56 830	-
Lesibana Christian Rale/ TCLM	446 638	-
JJ Jordan / TCLM	2 176 879	-
Magoveni Business Trust/ TCLM	9 100 000	-
Lesibana Christian Rale/ TCLM	446 638	-
Raul Machado Salvatori/ TCLM	17 037	-
Mihandzu Consulting Engineers/ TCLM	445 340	-
Mashego Kemmy/ TCLM	186 973	-
Magoveni Business Trust/ TCLM	9 100 000	-
	54 392 989	30 916 654
DUBERT TRADING CC/ TCLM	None	None
SAMWU obo Members/ TCLMM	None	None
Exodus Kgolofelo Mabanna/MEC for Cogta/MEC for Finance/ TCLM	None	None
Lydenburg, Graskop and Sabie chamber of commerce and tourism/ TCLM	None	None
The Thaba Chweu Rural Forum/ TCLM	None	None
Apostolie Geloof / TCLM	None	None
Axel Kazadi Kayembe / TCLM	None	None
Preston Tomato farms	None	None
TCLM/ SAMWU-TCLM EMPLOYEES	None	None
Johannes Buti Mabuza & Ester Tiny Mabuza/ TCLM	None	None
Thoka Makorwane Patrick Kgoale/ TCLM	None	None
Peter Steve Makhubela/ BRA, TCLM	None	None
Eskom Holdings SOC Limited/ TCLM	None	None

36. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

* See Note 36

Thaba Chweu Local Municipality

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Notes to the Annual Financial Statements

	2019	2018 Restated*	
36. Prior-year adjustments (continued)			
2017			
	As previously reported	Correction of error	Restated
Error 2) PPE Infrastructure	611 214 913	(1 457 779)	609 757 134
Error 7)Property, plant and equipment - Community assets	272 470 695	(184 465 068)	88 005 627
Error 8)Property, plant and equipment - Land and buildings	143 064 213	(102 223 689)	40 840 524
	1 026 749 821	(288 146 536)	738 603 285

Error 2) Derecognition of Land not tracable to the valuation roll R 1 529 000 and correction of depreciation due to useful life assesment -2016/17 (R 71 221.31)

2018	As previously reported	Correction of error	Re-classification	Restated
Error 1) Employee benefit obligation	(38 105 799)	663 000	-	(37 442 799)
Error 2) PPE Infrastructure	660 066 938	(1 045 001)	-	659 021 937
C) Plant and Machinery	3 761 953	-	895 007	4 656 960
C) Furniture and fittings	1 532 968	-	24 357	1 557 325
C) Motor vehicles	15 526 912	-	(892 039)	14 634 873
C) Office equipment	848 719	-	131 451	980 170
C) IT equipment	942 150	-	(159 618)	782 532
Error 3 & 4) Payables from exchange transactions	(606 433 040)	(3 645 075)	-	(610 078 115)
Error 4) VAT Receivable	38 835 777	(9 367)	-	38 826 410
Error 5) Other Property Plant and Equipment	43 748 429	(1 271 183)	-	42 477 246
Error 5) Payables from exchange transactions	(610 078 115)	(1 271 183)	-	(611 349 298)
Error 6) Other Property Plant and Equipment -WIP	40 907 664	2 840 765	-	43 748 429
	-	-	-	-
	(448 445 444)	(3 738 044)	(842)	(452 184 330)

Statement of financial performance

* See Note 36

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019	2018 Restated*		
36. Prior-year adjustments (continued)				
2018				
	As previously reported	Correction of error	Re- classification	Restated
A) General Expenses - Other	1 274 587	-	(114 595)	1 159 992
A) General Expenses - Hire	1 574 726	-	114 595	1 689 321
B) Employee Related costs - Long Service Awards	3 218 514	-	(331 282)	2 887 232
B) Employee Related costs - Post Employment Medical Aid	1 152 522	-	331 282	1 483 804
D) Remuneration of Councillors	10 314 466	(46 485)	-	10 267 981
D) General Expenses - Travel Local	2 026 244	46 485	-	2 072 729
Error 1) Actuarial gains	7 620 356	663 000	-	(8 283 356)
Error 2) Depreciation	58 015 468	(412 778)	-	57 602 690
Error 3) General Expenses - WCA	-	4 722 383	-	4 722 383
Error 4) Contracted Services	47 545 689	(1 067 941)	-	46 477 748
Error 6) Contracted Services	46 477 748	(2 840 765)	-	43 636 983
Surplus for the year	179 220 320	1 063 899	-	163 717 507

Errors

Error 1) Correction of actuarial gains as per Long Service Bonus Awards (LSA) GRAP 25 Report in the amount of R 663 000.

Error 2) Derecognition of Land not tracable to the valuation roll R 1 529 000 and correction of prior year depreciation due to useful life assesment 2017(R 71 221.31) and 2018 (R 412 788.12)

Error 3) Accrual relating to the final assessment for the return of earnings in the amount of R 4 722 383.16 was not raised in the prior year effecting general expenditure and trade creditors. Additional text

Error 4) Correction of accruals for trade creditors relating to contractors effecting contracted services in the amount of (R 1 067 940.71). The municipality also corrected a difference on VAT in the amount of R 9 337.39Additional text

Error 5) Correction of Retention in 2018 included in WIP in other PPE R 1 271 182

Error 6) Expenditure on CCTV camera incorrectly included under contracted services instead of work in progress PPE R 2 840 765

Error 7) Property, plant and equipment - Community assets: Correction opening balances for cost and accumulated depreciation as a result of a cost correction on deemed and correction of opening balance accumulated depreciation R 184 465 068

Error 8) Property, plant and equipment - Land and Buildings: Correction opening balances for cost and accumulated depreciation as a result of a cost correction on deemed and correction of opening balance accumulated depreciation R 102 223 689

Error 9) Property, plant and equipment - Community assets: Correction prior year depreciation as a result of a cost correction on deemed cost R 3 616 699

Error 10) Property, plant and equipment - Community assets: Correction prior year depreciation as a result of a cost correction on deemed cost R 4 431 323

* See Note 36

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019	2018 Restated*
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36. Prior-year adjustments (continued)

Reclassifications

A) **General expenses:** Reclassification of hire expense included in other expenses under general expenses to hire expense under general expenses R 114 595

B) **Employee related cost:** Reclassification of service cost relating to Post Employment Medical Aid included in service cost for Long Service Awards R 331 38

C) **Property plant and equipment:** Reclassification of the following categories of movable assets for the 2018 Year:

Plant and Machinery R 1 939 992,43; Furniture and fittings R 124 140,63; Motor vehicles (R 1 984 227,40); Office equipment R 85 742,12; IT equipment (R 164 975,42)

Reclassification of the following categories of movable assets for the 2017 Year:

Plant and Machinery (R 1 044 985,46); Furniture and fittings (R 99 783) ; Motor vehicles R 1 092 189; Office equipment R 45 709; IT equipment R 5 358; Community assets R 1 488.

D) **Councillors remuneration:** Additional travel and accommodation expenses reclassified to general expenditure R 46 485,24

Revenue from non-exchange - Property rates

Expenditure

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
Property, plant and equipment	14 034 610	7 653 819
Total capital commitments		
Already contracted for but not provided for	14 034 610	7 653 819

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2 629 337	2 629 337
- in second to fifth year inclusive	1 095 557	3 724 894
	3 724 894	6 354 231

Operating lease payments represent rentals payable by the municipality for certain of its office printers. Leases are fixed for a minimum period of three years. No contingent rent is payable.

* See Note 36

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Notes to the Annual Financial Statements

	2019	2018 Restated*
38. Related parties		
Relationships		
Accounting Officer	Refer to accounting officer's report note	
District Municipality	Ehlanzeni District Municipality	
Relationship with CoGTA	Cooperative Governance and Traditional Affairs	
Controlled entities	Thaleda (Pty) Ltd	
Members of key management	Ms. SS Matsi Mr. MR Mnisi Mr. SL Manqele Ms. SP Mathebula Mr. MC Mashego Mr. J Motankisi	
The remuneration of key management is disclosed in note 25 of the annual financial statements.		
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Councillors		
Councillor SM Phetla	(689)	(802)
Councillor ET Mabuza	(5 956)	39 587
Councillor JB Mabuza	1 001	654
Councillor CJ Sibiya	51	(7)
Councillor E Mabanna	(118)	(195)
Councillor DR Nkabinde	(1)	-
Councillor MT Mashego	-	912
Councillor KA Letsame	115	84
Councillor KJ Malepe	(1 011)	(1 053)
Councillor SE Van Douwe	446	-
Councillor JH Ligthelm	333	1 838
Councillor JJ Mkhize	(15 589)	(7 414)
Councillor RG Herbst	356	(10)
Councillor SG Shongwe	1 431	-
Councillor ES Anderson	-	513
Councillor JM Hlatshwayo	-	(7 436)
Councillor TE Mabuza	160 445	-
District Municipality		
Controlled Entity		
Thaleda (Pty) Ltd	291 445	57 492
The remuneration of Councillors is disclosed in note 32 in the annual financial statements. For councillor names, please refer to page 2 of the financial statements.		
Service charges		
Thaleda (Proprietary) Limited	291 445	26 688
Provision for doubtful debts related to outstanding balances with related parties		
Thaleda (Proprietary) Limited	27 435	-
Councillor SG Shongwe	474	-
Councillor TE Mabuza	155 277	-
Service in Kind		

* See Note 36

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019	2018 Restated*
38. Related parties (continued)		
Thaleda (Pty) Ltd enjoys the benefits of using facilities of Thaba Chweu Local Municipality as their operational office in the form of Sabie Caravan Park. The audit fees of Thaleda (Pty) Ltd is also paid by the parent being Thaba Chweu Local Municipality.		
39. Unauthorised expenditure		
Unauthorised expenditure : opening balance	133 265 295	124 806 278
Add: unauthorised expenditure	55 474 380	8 459 017
	188 739 675	133 265 295
40. Fruitless and wasteful expenditure		
Opening balance	125 571 050	103 528 225
Add : Fruitless and wasteful expenditure incurred	39 634 031	22 042 825
	165 205 081	125 571 050
41. Irregular expenditure		
Opening balance	394 152 158	298 985 679
Add: Irregular Expenditure - current year	32 601 599	95 166 479
	426 753 757	394 152 158
Analysis of expenditure awaiting condonation per age classification		
Current year	32 601 599	95 166 479
Prior years	394 152 158	298 985 679
	426 753 757	394 152 158
Details of irregular expenditure – current year		
Contracts extended without following proper procurement processes.	8 215 868	
Contracts awarded with bid adjudication committee not composed in terms SCM regulation 29(2)	3 162 699	
Deviations not compliant with SCM regulation 36(1)	7 920 828	
Overtime paid that exceeded threshold.	3 912 278	
Irregular expenditure identified during the audit process	9 389 926	
	32 601 599	

* See Note 36

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Notes to the Annual Financial Statements

	2019	2018 Restated*
42. Additional disclosure in terms of Municipal Finance Management Act		
Distribution losses		
Electricity (Losses expressed in KWH units)	31 425 258	28 097 897
Electricity (Losses expressed as a %)	23	20
Water (Losses expressed in Kilolitres)	7 206 340	6 412 468
Water (Losses expressed as a %)	69	66
	38 631 598	34 510 365
Audit fees		
Opening balance	1 660 204	8 983 803
Current year expense	9 642 611	5 150 131
Amount paid - current year	(10 433 039)	(12 473 729)
	869 776	1 660 205
PAYE and UIF		
Opening balance	2 273 167	2 122 082
Current year expense	28 557 125	27 917 241
Amount paid - current year	(33 432 099)	(27 766 156)
	(2 601 807)	2 273 167
Pension and Medical Aid Deductions		
Opening balance	5 357 161	6 947 004
Current year expense	40 709 051	41 607 301
Amount paid - current year	(49 874 818)	(43 197 144)
	(3 808 606)	5 357 161
VAT		
VAT receivable	45 679 391	38 826 409

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

* See Note 36

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019	2018 Restated*	
42. Additional disclosure in terms of Municipal Finance Management Act (continued)			
Councillors' arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:			
30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor ET MABUZA	5 503	160 445	165 948
During the year the following Councillors' had arrear accounts outstanding for more than 90 days.			
30 June 2019		Highest outstanding amount	Over 90 days
Councillor ET Mabuza		160 445	160 445
30 June 2018		Highest outstanding amount	Over 90 days
ET Mabuza		39 587	27 876
Shongwe and Mdhuli - Business account		6 591	5 606
		46 178	33 482
43. Cash generated from operations			
Deficit	(102 031 347)	(4 322 206)	
Adjustments for:			
Depreciation and amortisation	51 326 210	58 671 626	
Fair value adjustments	(4 796 150)	-	
Finance costs	(18 885 191)	(14 428 532)	
Impairment deficit	3 806 412	-	
Debt impairment	50 468 972	23 392 946	
Movement in leave and bonus accrual	-	11 635 191	
Traffic fines	-	(2 509 727)	
Actuarial (gains) and losses	(7 043 049)	(8 283 356)	
Fair value adjustments	-	(2 740 881)	
Changes in working capital:			
Inventories	(378 911)	32 438	
Consumer debtors	(27 105 295)	(39 621 528)	
Other receivables from non-exchange transactions	1 870 366	(3 600 296)	
Payables from exchange transactions	157 057 864	71 896 487	
VAT	(6 852 982)	1 364 871	
Unspent conditional grants and receipts	(21 773 768)	14 261 511	
Consumer deposits	639 544	(231 476)	
Employee benefit obligation	(844 158)	(45 718)	
	75 458 517	105 471 350	

* See Note 36

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks which predominantly includes credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

The municipality's credit risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. All the municipality's deposits are of a short term nature to ensure that the municipality's cash flow is not affected.

Consumer debtors comprise a widespread customer base.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Bank balances	4 727 725	6 473 659
Short term deposits	34 035 943	28 063 482
Consumer debtors	78 465 969	78 259 713

* See Note 36

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Notes to the Annual Financial Statements

Figures in Rand

2019

2018

45. Deviation from supply chain management regulations - Utilising a sole supplier

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements.

The disclosure below relates to the instances whereby the Accounting Officer complied with the requirements of regulation 36 of the Supply Chain Management Regulations of 2005 in dispensing the below procurements which were due to emergency and impracticality situations.

Emergencies and impracticalities

1 x Compactor Truck (Including Equipment and hydraulics)	2 351 365	-
2 x Fire rescue LDV (Including fire machines and equipment)	1 363 028	-
1 x Mini bus Van	447 496	-
315 KVA 22kv Transformer	250 000	-
Mini Transformer 315 KVA / 415V	501 975	-
Renewal of Caseware licences	76 880	-
Investigation of senior manager	256 357	-
Cable Fault Dectector	44 950	-
Gazetting Public notice of supplementary	2 018	-
MP321_Opex_Mashishing Subdivision / Town planning - proclamation of township establishment (1.0000)	21 184	-
MP321_Opex_Mashishing Subdivision / Town planning - proclamation of township establishment (1.0000)	27 237	-
Advertisement of Senior Management Posts In Local Media	20 950	-
Adertisement for Vacant posts Published 16/10/2018	14 117	-
Tender Advert Local News papers	24 202	-
Addvertisement local Media Vacancies	14 174	-
Erratum advertisement of vacan t position of Supervisor roads	1 412	-
Notice of postpontment of Mayoral Imbizo	4 697	-
Advert of Tenders on National Newspaper (Sunday World & Sowetan)	25 000	-
Advert of Tenders on Local Newspaper (Steelburger)	12 978	-
Advert for Inspection of General Valuation roll and lodging of objections (Sowetan) x 2 weeks (National media)	43 000	-
Advert for Inspection of General Valuation roll and lodging of objections (Lowveld) x 2 weeks (Local Media)	6 313	-
Advert for Notice of Draft Annual Report	2 981	-
Publication of Tender advert on Sunday world	15 364	-
Registration fee for Cash flow Management course	11 700	-
Registration fee for Mr P Moreku	4 950	-
Notice for Publication of Valuation Roll and Lodging of objection for two consecutive weeks	2 522	-
Gazetting of Municipal by laws	359 450	-
8 x Competency assessments for shortlisted candidates	55 600	-
Notice- Debt Incentive plan , for Lowveld News & steel Burger in two consecutive weeks	50 127	-
Advert of Financial recovery plan	1 754	-
Advert of IDP Consultations Meeting	8 111	-
MP321_Opex_Advert- Printing and Stationery / Communication - Draft IDP/BUDGET POLICIES (1.0000)	9 394	-
MP321_Opex_Advert- Printing and Stationery / Communication - public notice of council meeting (1.0000)	9 395	-
2 das x Day Conference Package (80 delegates), Lunch	55 200	-
Accomodation for 80 delegates x 2 nights for Women Indaba TCLM	158 838	-
MP321_Opex_Radio Slots / Communications - easter message in siswati & english (1.0000)	16 900	-

* See Note 36

Thaba Chweu Local Municipality

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Figures in Rand	2019	2018
45. Deviation from supply chain management regulations - Utilising a sole supplier (continued)		
MP321_Opex_Advert- Printing and Stationery / Communication - RADIO ADVERT OF DEBT INCENTIVE PROGRAMME PLAN (1.0000)	57 240	-
Accommodation for employees attending the SAIMSA Games in Swaziland	184 160	-
Catering for SAIMSA Games	142 500	-
Payment of Insurance access fees	3 500	-
Gazetting Tariffs and revenue By-laws as required by law.	13 114	-
Provision for the Valuation of Investment Properties in terms of Grap 16	867 450	-
Advert of IDP Consultation meetings	9 500	-
MP321_Opex_Advert- Printing and Stationery / Communication - ADVERT OF FINANCIAL RECOVERY PLAN (1.0000)	4 500	-
MP321_Opex_Advert- Printing and Stationery / Communication - advert of oversight report for 23017/2018 annual report (1.0000)	54 000	-
MP321_Opex_Advert- Printing and Stationery / Communication - advert of tenders on the national newspaper (1.0000)	5 400	-
Electricity Disconnection and Reconections	197 800	-
Installation of Traffic cameras, training and software	990 027	-
MP321_Opex_Advert- Printing and Stationery / Communication - advert of tenders on the national newspaper (1.0000)	25 000	-
MP321_Opex_Advert- Printing and Stationery / Communication - TENDER ADVERT - AFS (1.0000)	29 800	-
Supply & delivery of Filter sand	279 853	-
Supply and delivery of Silica Sand	332 594	-
Cable Fault Finding and Jointing in Mashishing	140 056	-
Miniature Sub Transformer 200KV , 420V,# ph new PH new & delivery	291 870	-
Excess amount	4 161	-
Supply and delivery of payslips	21 563	-
Rebuild and configuration of New Financial System Sever	327 764	-
Network Cabling Infrastructure & Power installations at Sabie data center	475 143	-
7 x labour and project manager; 7 x variables (fuel, equipment); 7 x Transport	49 857	-
Supply of 90KW Motor for Sabie	53 569	-
Repair & 11 KV Breaker Motor at maitn Substation & Indergorund cable fault Finding Location	37 571	-
Provision for Landfill site Management in Sabie x 1 Month	244 950	-
Provision for Refuse compactor truck and labour	480 827	-
Legal Fees to Sherrif	45 747	-
Public Notice: Adoption of IDP & Budget process plan for 2019/20	2 481	-
Arratum Advert of Tenders: Contractors	16 838	-
Arratum Advert of Tenders: Contractors	26 082	-
Advertisement of Senior Management Posts National Newspaper	56 294	-
Advertisement of vacant post in city press on the 14 October 2018	47 920	-
Publication of Public notice of Financial Recovery plan	9 025	-
Publication of Supplementary valuation roll notice	17 222	-
Advert of Teders on National Newspaper	35 098	-
Advert for vacant post advertisement 39cm (high) x 5 columns (wide) black & white	77 007	-
Advertisement of Infrastructure Grant funded projects/Tenders	16 100	-
Repairs of Boreholes in Northern areas	173 075	-
Refurbishment of Pump Station in Moremela	172 746	-
Re-drilling, repair and equipping of borehole in leroro and matibidi	197 599	-
Supply & delivery of money bags	8 087	-
Seminars- Conferences- Workshops and Events / MM's office - Registration Fee / - / - (3.0000)	16 500	-
MP321_Employee Assistant programme_Employee wellness - legal costs (1.0000)	9 600	-
A blow up of the motor at leroro boreholes led to the disruption of water supply to residents. Water is a basic right and must be supplied without interruptions. The Technical Department should ensure have ensured that they plan for such breakdowns by appointing term contractors to avoid such deviations. this will be recorded as irregular expenditure.	-	162 559

* See Note 36

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45. Deviation from supply chain management regulations - Utilising a sole supplier (continued)		
Garden Court Milpark is the closest hotel near Wits University that had accommodation during the period of attending the courses. All other hotels were fully booked, therefore this is a justified deviation.	-	42 800
Impractical to follow normal procurement process as implicated officials sits in bid committees.	-	931 240
Municipal Vehicle was damaged during an accident and the insurance claim was approved at R&P Autobody in Lydenburg	-	5 000
The Breakdown of the pump could not have been easily foreseen as pumps are sealed units. The pumps were dysfunctional as a result of unforeseen circumstances, However the Technical Department should have planned accordingly and appointed term contractors to avoid deviations. This will be recorded as irregular expenditure	-	135 945
The Development and Management program is offered by Wits university only for the current block of classes suitable for officials	-	152 000
The Invitation to attend the Sports Indaba was issued late and it is necessary for the community services employees to attend as the seminar was highly recommended by other stakeholders for information sharing and learning best practices from other institutions	-	9 598
The Municipal mayoral office roof was leaking water when raining and the Municipal Insurance approved the repairs by Core plan Integral services	-	6 620
The Municipal TLB window and mirror were damaged during protests and the insurance claim was approved at PG Glass in Lydenburg	-	3 500
The wiring of the Mashishing Municipal hall was vandalised, fittings and plugs stolen, and had to be repaired to accommodate the state of the province address. This was not an urgent event and could have been avoided by utilising another venue or by following procurement processes. poor planning resulted in this deviation and will be recorded as such	-	82 132
There was a rain storm which collapsed trees in and around Lydenburg. The trees were abstracting electrical cables and the road. N3 rapid response assisted with the removal of this abstractions to enable electricity supply to be restored. The rain storm could not have been detected. Therefore the deviation is justified.	-	19 200
There was an electrical outage in Sabie due to a fault in the electricity transformer. It is difficult to detect technical failures for this units as they have concealed parts. The department should have planned properly to avoid deviations, this will be recorded as irregular expenditure	-	210 000
There was an mechanical breakdown with the pump of a borehole in Matibidi. The breakdown was unforeseen. The pump is a sealed unit however the department should have planned properly to avoid deviations. This will be recorded as irregular expenditure	-	42 967
There was an urgent application for High court matter on a case. The urgency of the matter was to avoid getting a default judgement against the municipality. This is a justified deviation.	-	1 534 855
Unsolicited Bid: is the only accredited service provider the insurance company approved for repairs for glass replacement of vehicle. This is a justified deviation.	-	4 987
Warrant of execution with instruction to attach and remove the assets of the municipality immediately, due to the matter not being defended.	-	59 843
Repair costs incurred for various items	-	261 031
Provision of security for the month of September in Lydenburg, Sabie, Simile, Northern areas and Graskop	-	526 420
Lease of skip loaders in Sabie and Lydenburg	-	691 920
Supply and delivery of brick works	-	114 439
Interest incurred on legal costs	-	11 185
Payment of excess amount in relation to Mayor's office claim	-	3 054
	12 522 809	5 011 295

46. Public Private Partnership ("PPP") - Disclosures

A. Duma Substation

* See Note 36

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46. Public Private Partnership ("PPP") - Disclosures (continued)

Description of the agreement:

PPP Contract: Duma Substation, 132KV/40MVA (M090)

Terms of the arrangement that may affect the amount, timing and certainty of future cash flows:

- Part K of the agreement: Unforeseeable Discriminatory Government Conduct and Discriminatory
- Part Q: Refinancing
- Schedule A: Payment Mechanism
- Schedule B: Financial Model
- Schedule K: Development Cost Payment and Guarantee
- Addendum B: Change of Company
- Addendum C: Revenue Collection
- Addendum D: Change in Monthly Fees/ Payments and Profits Sharing Regime
- Addendum F: Change in Esrow Account
- Addendum E: Change in Duration and Expiry Date

The nature and extent of rights to use specified assets:

The buildings and other facilities together with all supporting infrastructure, plant and equipment as required to enable the Private Party to exercise its rights and perform its obligations included in the project deliverables.

Living quarters - 8473m²

Switching Station – 7789m²

Eskom Switching station – 8526m²

The obligations to provide or rights to expect provision of services:

None. The approval of the subdivision and rezoning of the proposed assets stipulates that the municipality does not have capacity for service provision.

The obligations to acquire or build assets:

None. All risk to acquire and build assets is transferred to the Private Party within the approved scope of works.

The obligations to deliver or rights to receive specified assets at the end of the PPP agreement:

All assets acquired and built, including all intellectual property will revert back to the municipality at the end of the PPP agreement.

The renewal and termination options:

The renewal option may be subject to Part Q: Refinancing and Addendum E: Change in Duration and Expiry Date.

The termination option is contained in Part N: Termination of the PPP Agreement with conditions of compensation where necessary.

* See Note 36

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46. Public Private Partnership ("PPP") - Disclosures (continued)

Other rights and obligations (e.g. major overhauls):

None.

Changes in the agreement occurring during the period:

Variations in regards to scope of works and project costs as contained in all the addendums and Schedules of the PPP Agreement.

B. Graskop Holiday Resort

Description of the agreement:

PPP Agreement to finance, reinstate, design, upgrade, refurbish, develop, expand operate and maintain the Graskop Holiday Resort in Graskop, Mpumalanga.

Terms of the arrangement that may affect the amount, timing and certainty of future cash flows:

- Clause 10.1: Ring fencing
- Clause 14: General Reporting and Financial Reporting Requirements
- Clause 19: Operation Fee
- Clause 22: Consequences of a Relief Event
- Clause 23: Consequences of a Compensation event
- Clause 26: Municipal Default

The nature and extent of rights to use specified assets:

The buildings and other facilities together with all supporting infrastructure, plant and equipment, as required to enable the Private Party to exercise its rights and perform its obligations included in the Project Deliverable.

Extent of facility and marketing natural features that are non-developable – 13ha

The obligations to provide or rights to expect provision of services:

None.

The obligations to acquire or build assets:

None. All risk to finance, design, re-instate, upgrade, refurbish, develop, expand, operate, and maintain the facility have been transferred to the Private Party.

The obligations to deliver or rights to receive specified assets at the end of the PPP agreement:

All assets reinstated and built, including all intellectual property will revert back to the municipality at the end of the PPP agreement.

The renewal and termination options:

There is no renewal option. The agreement shall endure until the earlier of the Expiry Date and the Termination Date.

The termination option is contained in Clause 28: Termination of the PPP Agreement.

* See Note 36

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46. Public Private Partnership ("PPP") - Disclosures (continued)

Other rights and obligations (e.g. major overhauls):

The Private Party have the exclusive right and obligation for its benefit and risk to levy and collect user charges in respect of the Operation and Maintenance, with effect from the Effective Date.

Changes in the agreement occurring during the period:

Variations in terms of the concession (waived operation fee) for the first three years from the Effective Date managed through a contract management plan and approved by the Board of Directors of the Municipal Entity.

C. Graskop Gorge and Lift Centre

Description of the agreement:

PPP Agreement to develop, operate, maintain and transfer the Graskop Gorge Lift and Retail Complex in Graskop, Mpumalanga Province

Terms of the arrangement that may affect the amount, timing and certainty of future cash flows:

- Clause 12: General Reporting and Financial Reporting Requirements
- Clause 18: Operation Fee
- Clause 21: Consequences of a Relief Event
- Clause 22: Consequences of a Compensation event
- Clause 25: Municipal Default

The nature and extent of rights to use specified assets:

The buildings and other facilities together with all supporting infrastructure, plant and equipment, as required to enable the Private Party to exercise its rights and perform its obligations included in the Asset Register, as updated from time to time.

Extent of facility and marketing natural features that are non-developable – 19ha

The obligations to provide or rights to expect provision of services:

None.

The obligations to acquire or build assets:

None. All risk to develop, operate, maintain the facility have been transferred to the Private Party.

The obligations to deliver or rights to receive specified assets at the end of the PPP agreement:

All assets built, including all intellectual property will revert back to the municipality at the end of the PPP agreement.

The renewal and termination options:

The renewal option is contained in Clause 4: Duration of the PPP Agreement.

The termination option is contained in Clause 27: Effects of Termination of the PPP Agreement.

Other rights and obligations (e.g. major overhauls):

* See Note 36

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46. Public Private Partnership ("PPP") - Disclosures (continued)

The Private Party have the exclusive right and obligation for its benefit and risk to levy and collect user charges in respect of the Operation and Maintenance, with effect from the Operation Commencement Date.

Changes in the agreement occurring during the period:

None. A contract management plan has been signed to manage all changes, risks and variations to the PPP agreement.

47. Budget differences

Material differences between budget and actual amounts

Service charges: The municipality materially under collected on other income which are on cash basis due to delay in delivering projected that this revenue balance was projected on and also lost 19% on service charges revenue stream due to high distribution losses.

Government Grants and subsidies: National treasury withheld R14 million of national transfers that were allocated to the municipality on MIG and WSIG due to slow progress and not meeting targets.

Employee cost: The 7% overspending on the line item is due to provision for leave and staff bonus (13th cheque)

Depreciation and amortisation: The material variance is due to under budgeting on the line item.

Finance costs: Material variance is caused by Eskom account which charges interest on outstanding balance. The account was over 500 million over the period of the financial year under review. **Interest cost:** GRAP 25 actuarial interest accounted for as part of finance costs.

Financial position and Cashflow differences: The variance between the final budget and actuals were cost by incorrect estimation based on the audited AFS which did not take into account the underlying factors.

Bulk purchases: Bulk purchase was over budget

Contracted services: These items were classified under consultancy services

Transfers and subsidies: National treasury withheld R14 million of national transfers that were allocated to the municipality on MIG and WSIG due to slow progress and not meeting set deadlines.

Actuarial gains/losses and fair value adjustments: Difference is due Accounting transaction for financial reporting purpose which were never budgeted.

* See Note 36

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48. Going concern

During the financial year ended 30 June 2019 the Municipality experienced operating losses of R 102 031 341 (2018: R 4 322 206) including R135 709 063 (21%) increase in current liabilities compared to R 30 012 833 (28%) decline in cashflow generated from operations. Furthermore, the municipality has failed to settle its current obligations as and when they became due, the main problem being the Eskom account that as at 30 June 2019 was recorded at over R 600m. As at 30 June 2019 the municipality is sitting in a net liability position.

Currently the municipality is not in good financial position to implement its own funded capital projects. The implementation of IDP is depended on National allocation and Transfers of conditional grants. During the financial year the municipality pay back disapproved rollover funds in the amount of R16m back Treasury. This had a negative impact on basic service delivery.

As a result, there is significant uncertainty whether the Municipality will continue as a going concern and whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. However, the directors believe that the Municipality will be successful in the above matters and, accordingly, have prepared the financial statements on a going concern basis. The budget outlook for 2019/2020 financial year for own revenue generation is sitting at R 428 783 869 which the directors believe the municipality will be able to collect.

Our capital budget is wholly funded by conditional allocation from National treasury which are ringfenced for the implementation of our capital projects. For 2019/2020 financial year the municipality will receive conditional grants amounting to R 219 786 000

The continuing viability of the Municipality and its ability to continue as a going concern is dependent upon the Municipality being successful in its continuing efforts in growing its revenue base and/or accessing additional sources of capital, and/or selling assets through the implementation of the reviewed revenue enhancement strategy. The current development of financial recovery plan that is required as a result of placement of the municipality under section 139 of Municipal Finance Management Act of 2003 will also force us to contain costs and focus on implementing impactful projects that will have direct link with our revenue enhancement initiatives so that service delivery can be sustain.

Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the Municipality not continue as a going concern. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements as at 30 June 2019.

* See Note 36